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BEFORE CHAIRMAN HENRY HYDE AND THE

COMMITTEE ON INTERNATIONAL RELATIONS

OF THE U.S. HOUSE OF REPRESENTATIVES

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Mr. Chairman and other distinguished Members of the Committee; it is a pleasure to have the opportunity to appear before the Committee on International Relations to discuss USAID/Lebanon's program and our efforts to support Lebanon at this time of transition.

The Lebanese people's popular demands for democratic change have led to the withdrawal of Syrian forces from Lebanon and successful parliamentary elections. These remarkable developments present a significant opportunity for the newly established government to move forward with crucial economic and political reforms.

The United States has a strong interest in promoting a stable, independent, democratic, and economically prosperous Lebanon at peace with Israel and neighboring states. Our current assistance program in Lebanon is aimed at helping the Lebanese address the economic, political, and environmental challenges facing their country.

In accordance with U.S. policy objectives, including the promotion of democracy, education, and economic prosperity, USAID focuses on three main areas: revitalizing and expanding economic opportunities in rural areas; strengthening the foundations for good governance; and improving environmental policies and practices through community-based approaches. Our program activities target the development and revitalization of South Lebanon.

Revitalizing and Expanding Economic Opportunities

The program focuses on strengthening three sectors of the economy, namely agribusiness and light agro-industry, rural tourism and information and communications technology.

The agricultural sector in Lebanon faces major challenges related to lack of marketing and competitiveness, low prices, absence of quality control, lack of proper extension services and minimal government support to farmers. The USAID program addresses this situation through a variety of activities aimed at promoting the productivity and competitiveness of key traditional as well as new agricultural sectors in Lebanon.

Our agribusiness portfolio in South Lebanon is quite extended and covers the areas of Saida, Maghdousheh, Tyre, Hasbaya, Marjayoun and Rashaya Al Foukhar where we are working on improving the production of fruits, vegetables and flowers and promoting the Lebanese olive oil sector. We established women cooperatives for the production and processing of traditional foods in fourteen centers in South Lebanon. Through our "SMART" (Stimulating Markets and Rural Transformation) program, we provide training for women on natural food preservation techniques, processing of surplus agricultural produce and marketing techniques. Because of USAID's support, a line of jams, syrups, preserves, pickles, vinegars and traditional rural Lebanese specialties are now sold and marketed by women under the brand name "Rural Delights". USAID has also provided farmers' with awareness of new agricultural techniques such as organic growing, agro-packing and processing units, and market opportunities in 48 villages.

In the area of rural tourism, we have succeeded in promoting, for the first time in Lebanon, eco-tourism and rural tourism by highlighting hidden and neglected attractions in rural areas and drawing a large number of local and foreign tourists. USAID's rural tourism portfolio in South Lebanon covers a variety of activities including community development projects, improving the infrastructure of nature reserves, rehabilitating historic sites and promotional efforts (festivals and brochures).

USAID's continuing efforts to revitalize rural communities focus on the development of Information and Communication Technology (ICT) knowledge and capabilities in rural areas.

Rural community websites have been developed to place villages on the map and promote economic opportunities.

Another component of the USAID program helps survivors of landmines and their families in the Southern district of Jezzine, Lebanon's most heavily-mined and casualty afflicted area, lead productive lives by providing them with income-generating opportunities. To date, 1,000 beneficiaries including their direct dependents have improved their income as a result of the program.

The USAID program also supports Lebanon's efforts for membership in the World Trade Organization (WTO) through technical assistance.

In the area of education, we are providing funds to American educational institutions in Lebanon. USAID funding to the American University of Beirut (AUB), Lebanese American University (LAU), American Community School (ACS) and International College (IC) supports scholarships for more than 1,000 students from financially disadvantaged backgrounds. In FY 2005, that support will total \$4 million dollars.

Strengthening Foundations for Good Governance

USAID provides funding to empower and strengthen Lebanese local government, Parliament, oversight agencies and civil society. The program improves the delivery of governmental services to citizens and municipalities, thereby enhancing the democratic nature of Lebanon's overall political system. By enhancing administrative and financial capabilities, expanding social services, encouraging public participation, and increasing accountability, transparency, and effectiveness, our program provides an essential counterweight to extremist elements that exploit the public's mistrust of government and dissatisfaction from lack of services, particularly in rural areas.

USAID's municipal reform program is working with municipalities to strengthen their capacity for transparent budgeting and improved service delivery. The nation-wide program is credited with successfully rebuilding essential local government foundations, providing modern management systems, e-government procedures and the training necessary to improve the quality of governance. Through the successful implementation of these new systems, tax revenues have risen by almost 50 percent.

We are providing technical assistance and training to the Lebanese Parliament to work more effectively with municipalities. Although the Lebanese Parliament has been advocating more authority for local government, a major challenge has been to sensitize Parliament to the needs of local government in support of a modern, progressive legal framework that addresses the obstacles to municipal effectiveness. Recommendations were developed in that respect to include the decentralization law, the municipal law, and the electoral law.

In addition to the work on strengthening democratic practices at the municipal level, the program promotes democracy building by working with local advocacy groups to promote transparent and democratic practices at the grassroots civil society and public sector level. The USAID-funded Transparency and Accountability Grants (TAG) program provides small grants of up to \$25,000 to local organizations seeking reform by empowering them to play a constructive role in advocating for change and enhancing transparency, accountability, and good governance.

To support the dramatic political changes taking place in Lebanon in 2005, USAID rapidly reprogrammed \$1 million to support the recent parliamentary elections. Activities included technical assistance, election monitoring, voter education, and polling.

Improving Environmental Policies and Practices

USAID's program focuses on increasing the use of appropriate environmental management practices, supporting waste management programs in rural Lebanon, improving participatory approaches in water management and increasing the effectiveness of water authorities, laws and policies.

In addition, special activities are being implemented to address the serious water pollution problem in the Litani River Basin due to unregulated solid and liquid domestic and industrial waste disposal practices that are threatening public health. USAID is working at two levels with the objective of improving water management practices and alleviating pollution. Through the Litani Basin Management Services project, USAID is identifying water quality management options and scenarios for the upper Litani River basin and Lake Qaraoun and developing an environmental management plan for the implementation of such options by assisting stakeholders in selecting optimum scenarios for water quality management and water pollution remediation.

In parallel, through the Small Village Wastewater Treatment Plants project, we are providing a comprehensive solution to mitigate water quality degradation from uncontrolled discharge of untreated domestic wastewater in the upper Litani River basin. The project has identified and selected 14 candidate municipalities for design and construction of new wastewater treatment facilities. Six sub-regional treatment plants will cover the municipalities.

USAID's water policy program is working on sensitive policy and financial issues related to public private partnerships, water utility management and tariff pricing at both national and local levels with the first pilot activity implemented in partnership with the South Lebanon Water and Wastewater Establishment (SLWWE). The Water Establishment suffers from a high rate of water loss, a high rate of illegal/unregistered connections, understaffing and insufficient revenues to cover expenses. USAID is providing technical, institutional and capacity building support to the SLWWE.

Support to the New Government

Currently, the USG does not have a bilateral agreement with the Government of Lebanon. Most of our assistance to Lebanon is channeled through U.S. non-governmental organizations, local non-governmental organizations, American educational institutions, and private firms through grants, cooperative agreements and contracts. This situation has proven to be advantageous in terms of flexibility, innovation, and results.

USAID is prepared to respond to political and economic openings and support the new government's efforts for reform. We have developed a framework to expand our assistance to support Lebanese economic reform, expand Lebanon's trade capacity, advance Lebanese WTO accession, and foster enhanced bilateral trade and investment ties. In the area of democracy, we would support the development of a new election law and work in the areas of rule of law and anticorruption. In the water sector, we would expand ongoing sustainable waste management programs.

These are encouraging times for Lebanon; we look forward to working with the international community to support the new government's reform agenda.